LEGISLATIVE SERVICES AGENCY

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FISCAL IMPACT STATEMENT

LS 6548 | **NOTE PREPARED:** Dec 27, 2011
BILL NUMBER: SB 302 | **BILL AMENDED:**

SUBJECT: Technology equipment property tax exemption.

FIRST AUTHOR: Sen. Charbonneau | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

Summary of Legislation: This bill provides that the property tax exemption for qualified enterprise information technology equipment applies only to property located in a high technology district area designated by the fiscal body of the county or municipality. It specifies the procedure for the designation of such an area.

The bill provides that an entity that leases qualified property for use in a facility or data center dedicated to computing, networking, or data storage activities is also eligible for the exemption. (Current law provides that only a business that operates such a facility is eligible for the exemption.) The bill also requires that at least $10,000,000 must be invested in the facility or data center after June 30, 2009, by the entity entering into the agreement for the exemption and by the lessor of the qualified property (if the business is a lessee) and all lessees of qualified property.

Effective Date: July 1, 2012.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, a county or municipal fiscal body may, before January 1, 2017, grant a property tax exemption for enterprise information technology equipment owned by an eligible business. The term of the exemption may extend beyond 2017 in accordance with the required agreement between the designating body and eligible business.

Under this proposal, the designating body would first have to declare that all or a part of the body's jurisdiction is a "high technology district area" (HTDA) before January 1, 2017. The designating body could enter into exemption agreements at any time after the HTDA designation is made.

Current law defines an eligible business as an entity that meets the following requirements:

(1) the entity is engaged in a business that operates one or more facilities dedicated to computing, networking, or data storage activities;

(2) the entity is located in a facility or data center in Indiana;

(3) the entity invests in the aggregate at least $10 M in personal property and real property in Indiana after June 30, 2009; and

(4) the average employee wage of the entity is at least 125% of the county average wage for each county in which the entity conducts business operations.

Under this bill, the focus would be on total investment of at least $10 M at a single facility or data center, including both property owned by the entity and leased property. The 125% wage threshold would apply to all employees engaged in the operation of the particular facility or data center.

Under this bill, additions to, and replacement of, the original equipment would also qualify as enterprise information technology equipment.

This bill could expand the number of entities that could eventually qualify for enterprise information technology equipment exemptions. It would also indefinitely expand the time in which exemption agreements may be entered into so long as an HTDA designation is made before January 1, 2017. The granting of any exemption under this bill would be a local decision.

The exemption of newly acquired property would not affect the existing tax base. If there is an increase in development because of the exemption, then other property could be added to the tax base. If the exemption period set locally is shorter than the life of the property, then the value of the enterprise information technology equipment could eventually be added to the tax base. However, if one assumes that the investment would be made with or without the exemption, then the granting of the exemption under this bill could, during the exemption period, eliminate the normal shift of the property tax burden from all taxpayers to the owners of the new property that would have otherwise occurred.

Since the current definition of qualified property includes property purchased after June 30, 2009, the exemption (both under current law and under this proposal) could be granted for existing equipment. If such an exemption is granted, the assessed value tax base would be reduced resulting in a tax shift from the owners of the qualified property to all other taxpayers.

State Agencies Affected:

Local Agencies Affected: County and municipal fiscal bodies; County auditors.

Information Sources:

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